CA2 ALZ 3 1973G16
Gasoline Pricing and Marketing in Albert
a; Report of the Task Force on Con 2
3 3398 00307 7103

Vault
19/20

GASOLINE PRICING AND MARKETING IN ALBERTA

REPORT OF

THE TASK FORCE ON CONSUMER AFFAIRS

OCTOBER 25, 1973

CA2ALZ 3
73G16
c.2

Digitized by the Internet Archive
in 2026 with funding from
Legislative Assembly of Alberta - Alberta Legislature Library

SP 1973 - 614

GOV DOC

GASOLINE PRICING AND MARKETING IN ALBERTA

REPORT OF

THE ALBERTA TASK FORCE ON CONSUMER AFFAIRS

Members:

Calvin E. Lee, M.L.A., Calgary McKnight
(Chairman)
John Ashton, M.L.A., Edmonton Ottewell
John Cookson, M.L.A., Lacombe
Stewart McCrae, M.L.A., Calgary Foothills

October 25, 1973

TABLE OF CONTENTS

EVENTS LEADING TO REPORT

I VARIOUS CONCERNS RELATING TO GASOLINE PRICING AND MARKETING

II SOLUTIONS AND RECOMMENDED ALTERNATIVES FOR ACTION

III TASK FORCE CONCLUSIONS AND RECOMMENDATIONS

APPENDIX

GUIDELINES FOR RELATIONS BETWEEN SERVICE STATION LESSORS AND LESSEES (GOVERNMENT OF ALBERTA)

Digitized by the Internet Archive
in 2026 with funding from
University of Alberta Library

https://archive.org/details/ableg_33398003077103

GASOLINE PRICING AND MARKETING IN ALBERTA

Gasoline marketing and its various aspects have been the subject of examination and scrutiny in Alberta since the inception of The Fuel Oil Licensing Act in 1955. More recent developments, however, have led to a more specific attention to the nature of the pricing of fuel oil products, at both the wholesale and retail level, and of the nature of leases, franchises and other contractual arrangements utilized between the marketing divisions of various companies and their service station outlets. The following is a brief history in the development of these investigations:

(1) 1965 - The Alberta Retailers' Association petitioned the Alberta Government to undertake a study of the marketing of gasoline in the province of Alberta.

(2) May 25, 1965 - The government of Alberta commissioned the Gasoline Marketing Enquiry Committee under the chairmanship of K. A. McKenzie, Q.C. -

"(a) To enquire into the marketing of gasoline and petroleum products in Alberta; and

(b) To consider the relationships between oil companies and service station operators; and all practices affecting or related to the marketing of gasoline and petroleum products; and

(c) To consider any other matter which in the opinion of the committee affects the marketing of petroleum products in Alberta."

(3) December 1968 - The McKenzie Report, "Gasoline Marketing in the Context of the Oil Industry", was presented to the Honourable A. Russell Patrick, the then Minister of Industry and Tourism, Government of Alberta. The 744 page document recommended major changes in the system of gasoline marketing in Alberta. A summary of the major recommendations of the Committee were stated as follows:

"(a) as a preventative measure to help reduce the rate of lessee turnover and to reduce the loss of lessee investment, - the provision of essential information to prospective lessees in a service station prospectus;

(b) to provide the service station lessee with reasonable security for his investment and his business operations, - by requiring a five year lease which is not terminable except in designated circumstances;

(c) as a solution to some problems of the continuing operator, whether lessee or owners, - a service station operator's Bill of Rights to afford him some freedom of enterprise and a measure of protection against the arbitrary actions of oil companies which now vitally affect his business profits and security;

(d) as a step toward the solution of discriminatory pricing practices, - the prohibition of some oil company practices which create ties or eliminate competition, and the removal of some obstacles created by oil companies which help to prevent price competition;

(e) as a solution to the credit problem of agents operating bulk stations, - credit to be declared as the responsibility of the oil company where it properly belongs and the bulk agent to be relieved from guaranteeing the debts of all of his customers;

(f) as a solution to problems in the enforcement of the intentions of The Fuel Oil Tax Act, - that persons entitled to the privilege of purchasing gasoline which is wholly or partially exempt from tax be given a permit which will entitle the holder to make such purchases and to obtain "F" vehicle licenses where applicable;

(g) as a step toward improving the usefulness and accuracy of government records, by keeping some records by company rather than by industry, and by requiring annual licensing of service station operators, bulk outlets, wholesalers and refiners;

(h) as a step toward providing the government with more adequate information on which to base its decisions, the establishment of a continuing organization to conduct economic research and to assemble and co-ordinate information on energy resources and other matters affecting the economy of the province."

(It might be added that similar provincial studies were presented in Nova Scotia in 1968 and in British Columbia in 1966)

(4) December 1970 - A Submission entitled "Recommendations for Minimum Requirements for Fairness and Equity in Leases, Franchises and Related Agreements Between Oil Companies and Service Station Operators" was made by the Automotive Retailers' Association (Alberta) (A.R.A.) in December, 1970, in which a number of the McKenzie proposals were incorporated.

(5) January 1971 - The recommendations in (4) above were referred to marketing companies within the province for their comments. Meetings were held with a number of the companies and their views were invited. On the basis of these interactions, further meetings were held with the A.R.A.

(6) May 1971 - A revised submission was prepared by the A.R.A. and referred to the Department of Industry and Tourism.

(7) June 1971 - This submission and its revised proposals were again referred to the marketing companies. Subsequently, representatives of the Department of Industry and Tourism met with company officials to present written comments in this respect.

(8) September 1971 - The Government of Alberta changed as a result of the provincial election.

(9) December 1971 - A set of basic guidelines for relations between service station lessors and lessees, developed on the basis of views expressed by all parties concerned, was referred to all parties together with a recommendation that groups concerned adopt these guidelines on a voluntary basis.

(10) Replies from the parties concerned, pertaining to these proposed guidelines, were analyzed by the Department of Industry and Commerce and further meetings were held with a number of those involved to clarify various points of concern.

(11) August 22, 1972 - A Request for Cabinet Decision, requesting approval of the proposed guidelines, was prepared and referred to Cabinet.

(12) November 14, 1972 - Honourable F. H. Peacock, Minister of Industry and Commerce, through a Ministerial Announcement, advised the Legislature of the implementation of the voluntary "Guidelines for Relations Between Service Station Lessors and Lessees".

(13) Preparatory work commenced within the Licensing of Trades and Businesses Branch, Department of Industry and Commerce on investigation into pricing policies and practices of major producers.

(14) December 13, 1972 - A submission was made to Cabinet by the Automotive Retailers' Association, requesting the province to undertake certain actions to eliminate (by their submission) discriminatory pricing practices of refiners and marketing agencies.

(15) February 22, 1973 - Questionnaires were directed to refiners, major marketing companies and off-brand marketing companies requesting information on pricing. Returns were requested before June 1, 1973. Subsequent meetings were held with these groups to explain the purpose of the questionnaires, and the information desired.

(16) Spring, 1973 - The Licensing of Trades and Businesses Branch was transferred to the jurisdiction of the newly appointed Minister of Consumer Affairs, Honourable Robert Dowling.

(17) August 1973 - The Task Force on Consumer Affairs, chaired by Calvin E. Lee (M.L.A., Calgary-McKnight) with Government Members - John Ashton (M.L.A., Edmonton-Ottewell), John Cookson (M.L.A., Lacombe) and Stewart McCrae (M.L.A., Calgary-Foothills) was established in an advisory capcity to the Honourable Robert Dowling. The Task Force was directed by the Minister to prepare and forward to him a position on Gasoline Pricing and Marketing in Alberta, integrating results of those activities described above with their own examinations.

(18) August 27, 1973 - "Recommendations Respecting Marketing Practices of Fuel Oil Marketing Companies", a report prepared by the Licensing of Trades and Businesses Branch, was referred to the Task Force for consideration.

(19) Subsequent meetings were held with representatives from the A.R.A., the Licensing of Trades and Businesses Branch and certain private brand and integrated oil company marketing personnel.

The following report of the Task Force is the aggregate result of these many initiatives.

I VARIOUS CONCERNS RELATING TO GASOLINE PRICING AND MARKETING:
(as presented to the Task Force on Consumer Affairs)

(1) "Inability of franchised service station dealers to benefit from competitive pricing procedures available to non-franchise customers of refinery or marketing division outlets of integrated oil companies."

This was the major concern expressed by service station operators under franchise agreements with integrated oil companies (Imperial Oil, Gulf, Husky, Pacific Petroleum, Texaco, Shell) and articulated formally to the Alberta Government by the Automotive Retailers' Association. The contention is that, whereas franchised operators must purchase gasoline exclusively by agreement from one company, at a price posed by the company (termed by the A.R.A. as "arbitrary and inflated"), commercial accounts (taxi companies, government, dairies) and private brand outlets (Turbo, Simpsons-Sears, U.F.A., Co-op, etc.), can, by tender, purchase from the source offering the most attractive price, in many cases at a discount of up to 12¢ per gallon from the posted wholesale price. Since private brand companies compete directly with many oil company franchised outlets, the latter operators feel they are placed in an unfair competitive advantage. As stated by the A.R.A. - "The cause of the crisis now threatening the franchised dealer is the maintenance by the oil company of what can only be regarded as an arbitrary and inflated wholesale gasoline price."

(2) "The effects of total vertical integration by integrated oil companies threaten an adverse impact on gasoline pricing and competition."

The establishment of various employee-operated outlets by certain integrated oil companies or their subsidiary companies has had a significant impact on the retail price of gasoline and competition in that market. Since the integrated oil company can choose to absorb costs at either the wholesale or retail level, retail gasoline can be priced at a significantly lower level (even below the posted dealer tankwagon price). This control of pricing at the retail level by the integrated oil company has exerted a significant downward pressure on the price of gasoline offered to the motoring public. Obviously, those choosing to purchase gasoline on the basis of price alone will probably take their business to such outlets.

The franchised dealer now finds himself in a difficult situation. Whereas he must purchase his gasoline at a wholesale price established by his parent oil company, this same company can establish a discount outlet in direct competition with his operation. To compete, he must then lower his price and, depending on the retail price set by the oil company outlet, even be prepared to take a loss on his sales.

In the short term, this control of retail gasoline prices by the oil company, although competitively damaging to the franchised dealer, is of real benefit to the motorist purchasing gasoline at the lowest possible price. In the long term, however, these practices, if accelerated, could lead to an excessive pressure on franchised outlets with the potential effect of business failures and replacement of these outlets by company-operated businesses. Should this result, it would appear that an excessive control over retail gasoline pricing could take place, especially if a concomitant result were to be withdrawal from competition by franchised operators.

(3) "Commission Consignment practices, as arranged by the oil companies with their service station operators, permit an excessive control over retail gasoline pricing by the integrated oil company."

Commission consignment of gasoline is utilized by oil companies to exercise a control on retail gasoline pricing on a large scale, usually as a measure in competing with private brand companies in price war situations. This practice, although providing protection

to the franchised outlet from wide fluctuations in retail price, could provide a more extensive control than should be exercised in the market place (especially if a number of outlets are placed on commission consignment arrangements in the same region) and may have unhealthy spillover effects on total competition, especially if the purpose of the arrangements were to bring private brand companies "into line".

(4) "Under present Alberta conditions, private brand companies must rely on the major oil companies for their gasoline supplies. This may place them in an indecisive situation should the major companies choose not to sell gasoline to them or should total supply become scarce."

Although private brand companies appear to have been able to negotiate adequate gasoline supplies in the past, the major companies can still choose not to sell to them. Recent gasoline shortages in the United States have indicated that private brand companies could well be the first to lose their previous sources of supply should these conditions occur in Alberta.

(5) "The Guidelines for Relations Between Lessors and Lessees implemented in November, 1972 by the Alberta Government, being voluntary only, do not provide adequate protection to service station lessees."

Although the Guidelines were agreed to by all parties concerned in 1972, it has been reported that none of the major oil companies has integrated them in total within their new lease arrangements with their service station lessees. The A.R.A. feels that this leaves the individual operator in too indecisive a position vis-a-vis his parent oil company, with the result that the situation existing prior to initiation of the Guidelines is not, in reality, changed.

(6) "The manner in which certain marketing costs involved in advertising, provision of credit card services, and subsidization of some service station leases are surcharged to the wholesale cost of gasoline is discriminatory to those individual operators and consumers not benefiting or choosing to participate directly in these practices."

Advertising programs of the major oil companies, usually of a national nature, may not benefit directly some franchised dealers, especially in areas with little competition. In addition, the initiation of certain giveaway programs, games and service promises, although optional to the individual dealer, if advertised on a national or regional basis, virtually force the operator to participate.

Credit cards may not be utilized by the individual motorist or by a particular service station operator.

Certain leased service station lessees, especially those in high-rent or high-tax urban areas, may have the benefit of a variably subsidized rent by the oil company.

In each of these cases, these costs of marketing are surcharged to the wholesale and, thus, retail price of gasoline and the individual dealer and motorist must bear these costs even though he may not benefit directly from them.

(7) "There has occurred in the past and continues to exist a lack of control on the construction and licensing of service station outlets. The results are service station failures and an excessive turnover of leases and franchises."

The McKenzie Report claimed that too many outlets were being built by oil companies, that often there was not an adequate market to support continued outlets. In any area, the opening of a competitive outlet will have a profound effect on the success or failure of an existing operation. The claim has been made that not enough attention is given to the competitive limits of a market when new outlets are allowed in certain areas.

II SOLUTIONS AND RECOMMENDED ALTERNATIVES FOR ACTION: (as represented to and evaluated by the Task Force)

Many proposals have been presented by various sources in response to those concerns enumerated in the past section, ranging from those who suggest that the present arrangements should remain to those who recommend extensive governmental intervention and controls. The following is a statement of some of these views:

(1) That the present situation continue:

- that, with the initiation of the voluntary "Guidelines for Relations Between Service Station Lessors and Lessees" and the extensive consultations germinated through their implementation, that most of the concerns expressed have and will be alleviated.

- that most concerns will be resolved by a minimum of governmental intervention within the competitive market place.

- that those benefits enjoyed by franchised dealers must be weighed when evaluating their position vis-a-vis other competitors and that agreements between operators and the oil companies are franchises entered into and can be withdrawn from of the operator's free will as per agreement.

- that present conditions do exert a downward pressure on the retail price of gasoline and are, thus, in the general interest of the motoring public.

(2) That a system of uniform pricing F.O.B. the refinery be implemented in which the wholesale price of gasoline and any related discounts would be established by the oil company but would be uniformly available to all purchasers, private or franchised, commercial or industrial:

- that branded and non-branded prices might be set at different prices but this differential should be regulated at a set amount (e.g. 2¢ per gallon) representing those marketing costs legitimately associated with branded gasoline.

- that a grid method of price posting could be developed to encompass various services undertaken by the oil company in the wholesale transaction - handling, storage and transportation.

(3) That a uniform gasoline price for the province be enforced:

- that the oil company would set its own wholesale price for gasoline (as in the previous proposal) but this price would be posted for all of Alberta.

- that those other conditions (branded vs. non-branded differentials, grid posting) as described in (2) could also be applied in this system.

(4) That negotiations be established between the oil companies and the franchised retail dealers, with the Government serving in a intermediary role, to establish "Guidelines for Franchises and Related Agreements Between Oil Company Marketing Divisions and Their Franchised Outlets".

- that this procedure would be similar to that undertaken in the development of the "Guidelines for Relations Between Service Station Lessors and Lessees".

- that these Guidelines could be voluntary or enforced through regulation under The Fuel Oil Licensing Act.

(5) That all integrated oil companies be required to divorce themselves from direct involvement in the retail sale of gasoline:

- that oil companies or their subsidiaries through employee-operated service stations, gas bars, car washes and other owned outlets can exercise an excessive control over retail gasoline pricing, especially if these controls could be extended through such practices as commission consignments of gasoline to franchised outlets.

- that this divorcement should be applied to both direct gasoline retailing and to the ownership of land for the purpose of gasoline retailing (i.e. leased outlets).

(6) That the practice of commission consignment of gasoline between oil companies and their franchised outlets be abolished:

- that (as in the previous #5) an excessive direct control over retail gasoline pricing can be exercised by the oil company in a particular region.

- that an excessive pressure can be exerted on the individual dealer to participate in this practice.

(7) That retail gasoline be dealt with as a public utility subject to controls by the Public Utilities Board:

- that there is an extensive dependency on gasoline by the motoring public and limited competition in effect at the wholesale level of gasoline marketing, where the greatest percentage of oil company sales are made to their own franchised or employee-operated outlets.

- that these controls could be extended to both actual wholesale and/or retail gasoline price and/or the conditions to be in effect in the sale of gasoline.

(8) That the Alberta Government, through a Crown agency or some other public mechanism, enter into competition at the refinery and/or marketing division level in the areas of gasoline supply and sales:

- that private brand companies do not have adequate guarantees of gasoline supply, since most sales are presently from the marketing divisions of oil companies to their own franchised or employee-operated outlets. They can, thus, limit sales to private jobbers either because of a lack of supply (with first priority to its own outlets) or, conceivably, to limit competition from off-brand sources. Alternately, should the Government view the question of private brand supply as a potential problem area, integrated oil companies might be required to make available a certain percentage of its refinery sales for private jobbers' purchase.

(9) That all franchise agreements, requiring an operator to purchase gasoline from a single source at a posted retail dealers' tank-wagon price set by that source, be abolished:

- that the individual franchised operator is unable to purchase wholesale gasoline in a competitive market. This proposal would allow him to buy branded or unbranded gasoline from any source. Conceivably, then, a service station could offer for sale more than one brand of gasoline on his premises.

- that this proposal would stimulate more competition than now exists at the entire wholesale level where present wholesale competition functions through private brand, commercial and industrial sales within the limited range of majority gasoline distribution to franchised outlets (at a price set by the oil company) and total refinery capacity.

(10) That the Alberta Department of Consumer Affairs, through its Licensing of Trades and Businesses Branch, undertake a more extensive scrutiny, monitoring and establishment of criteria in the area of retail outlet licensing through a consideration of more extensive market variables in the application of its licensing jurisdiction under The Fuel Oil Licensing Act:

- that there has been an excessive construction of service station outlets and a resultant danger of extensive service station extinctions, franchise turnovers and business failures. In the past, jurisdiction over licensing of a particular outlet has been left to the local civic authority. Should this provision prove inadequate protection, the provincial government might intervene within its licensing authority under The Fuel Oil Licensing Act.

(11) That the 1972 voluntary "Guidelines for Relations Between Service Station Lessors and Lessees" be made mandatory:

- that the Guidelines, although agreed to by all parties (oil companies and operators), have not been integrated into new leases between dealers and the oil companies. It is argued that this then leaves the lessee in exactly the same legal position as prior to announcements of the Guidelines.

- that not all marketing divisions have formally agreed to the Guidelines, leaving no protection for their lessees.

(12) That certain costs associated with the marketing of gasoline - credit and the subsidization of certain outlets - be specifically identified and not be surcharged to the wholesale price of branded gasoline but be charged to the identifiable recipient of these costs - the creit card user or the individual lessee, or absorbed by company within its refinery costs.

(13) That the costs related to giveaway advertising programs (either of commodities, coupons or related services) be undertaken by the oil company and not charged in any manner to the individual service station operator:

- that the individual operator is forced to participate in giveaway programs when these services are advertised (usually nationally) beyond his jurisdiction. The motoring public influenced by this external advertising, will anticipate and expect certain services from a branded outlet even though the operator may not wish to participate - he must meet this expectation or lose that customer's gasoline business.

III TASK FORCE CONCLUSIONS AND RECOMMENDATIONS:

The Task Force, in evaluating the above proposals and developing its recommendations, has arrived at the following general conclusions:

(1) That the Government of Alberta should assure that conditions of free competition will, as far as possible, be those which govern activities in the marketing and pricing of gasoline and should consider intervention only when conditions are not of such a nature.

(2) That many of the concerns of franchised service station dealers are conditions of agreement between themselves and their parent oil companies which should be resolved between these two groups. Government should consider intervention only in a mediating and facilitating role in these conditions and only in a wider regulatory or legislative manner if these variables are beyond control or contractual mediation between these bodies.

- that the individual operator can choose or choose not to, freely and without undue restriction enter into or withdraw from contractual agreements with an oil company and that the Government should consider intervention in a regulatory role only in those situations where this proves not to be the case.

(3) That it is in the general public interest to assure the continued participation and competition of the private brand wholesaler and retailer in gasoline marketing.

- that the Alberta Government should consider intervention only if conditions (lack of supply, unfair competition) threaten such participation and competition of the private brand sector.

(4) That many of the concerns expressed in Section I of this report may not warrant immediate governmental intervention and that those proposals enumerated in Section II should not be rejected out-of-hand. Conditions may change and may require sterner measures than those which the Task Force will propose for initial action. The Alberta Government should not view these recommendations as anything more than intermediary interventions - others may be required and should not be avoided should conditions warrant further actions.

THE TASK FORCE RECOMMENDS:

(1) That discussion and negotiation be established between the oil companies and the Automotive Retailers' Association, with the Department of Consumer Affairs acting in an intermediary role, to examine and establish "Guidelines for Franchises and Related Agreements Between Oil Companies and Their Franchised Outlets". The following areas are suggested for opening examination:

(a) Those provisions in the "Guidelines for Relations Between Service Station Lessors and Lessees" which are also relevant to Franchises and Related Agreements.

(b) Whether the oil company or supplier of petroleum products should make the sale or supply of any petroleum product in Alberta conditional upon the retailer buying from the oil company or from a supplier suggested by the oil company all or any part of the retailer's requirements of tires, batteries, accessories or other merchandise.

(c) Whether the supply of any product or merchandise to a retailer of gasoline in Alberta should be contingent or conditional upon the purchase by the retailer of any other product or merchandise.

(d) Whether the oil company or other supplier of petroleum products should offer or grant any discount, rebate, price concession, inducement or other benefit or advantage to a retailer in Alberta on condition that the retailer buy the supplier's products exclusively or on condition that the retailer buy from it all or a specified quantity or percentage of the retailer's requirements.

(e) Whether any contract between an oil company or other supplier and a retailer of petroleum products should cover a quantity or volume of any product or item in excess of the quantity or volume normally sold by that retail outlet in a given period of time.

(f) Whether the oil company or other supplier of petroleum products should refuse to supply gasoline or any other petroleum product to a retailer for any cause other than non-payment for such products, and in the event of a shortage of supply, whether the supplier shall discriminate between retailers but rather endeavor to supply all of them as fairly as reasonably possible on a pro rata basis.

(g) Whether the oil company should include in a supply contract or in any agreement executed in connection with the making of a supply contract with any retailer or wholesaler in Alberta, or otherwise make the supply of any petroleum product contingent upon the retailer or wholesaler granting to the oil company an option or right to purchase or rent any of the properties, facilities or equipment of the wholesaler or retailer.

(h) Whether each franchise agreement should include in a supply contract the price which will be paid for gasoline supplies by the retailer, either as a fixed price or in relation to the posted wholesale dealer tankwagon price.

(i) Whether the costs related to giveaway advertising programs (either of commodities, coupons or related services) be assumed in total by the oil company and not be charged in any manner to the individual service station operator.

(2) That the Department of Consumer Affairs undertake an ongoing examination of the state of gasoline marketing in Alberta with an emphasis on an identification and monitoring of those concerns expressed in Section I of this report:

(a) The nature of gasoline supplies and purchases for private brand jobbers.

(b) The nature of retail outlets for gasoline sales (employee-operated, franchised, private branders, gas bars, car washes, etc.) and their location in the competitive market.

(c) The nature of present contractual agreements within the gasoline retailing sector (owner-operated, leased, employee-operated, commission consignment, franchises).

(d) Present licensing practices relating to gasoline retail outlets as utilized within local jurisdictions.

(e) The extent to which the voluntary "Guidelines for Relations Between Service Station Lessors and Lessees" have been accepted and integrated within formal leases in both the brand and private brand sectors.

* * * * * * * * *

APPENDIX

GUIDELINES FOR RELATIONS BETWEEN SERVICE STATION LESSORS AND LESSEES

APPENDIX

GUIDELINES FOR RELATIONS BETWEEN SERVICE STATION LESSORS AND LESSEES

(1) The term of any first lease between a lessor and a lessee should not be less than one year subject to the right of either party to terminate the lease at any time within the first year on thirty days notice.

(2) The term of any second or subsequent lease should not be less than three years except where such lesser term is by way of mutual agreement between the lessor and lessee. Notice of either party's intention not to enter into a third or subsequent lease should be given in writing at least ninety days before expiry of the existing lease.

(3) If the lessee has complied with his obligations during the term of any second or subsequent lease, the lessor should give him the right of first refusal to lease the premises on the terms which the lessor is prepared to lease them and the lessor should not lease the premises to any other tennant on terms more favourable than those offered the original lessee without offering such more favourable terms to the original lessee.

(4) In the event of termination or failure to enter into a new lease the lessor should offer to buy the normal resaleable service station stock at the lessees cost and normal service station equipment at fair market value.

(5) The lessor should recognize that a lessee may build up an element of good will, provided the purchaser meets the reasonable qualifications of the lessor. The lessor should have the right to determine whether the purchaser may take over the unexpired portion of the lessees lease or should enter into a new lease with the lessor.

(6) In the event of the death of the lessee, the executors of his estate should have the option of either selling the business as provided in Item 5 or of selling the stock and equipment to the lessor as provided in Item 4 within such reasonable period as may be agreed to by the lessor.

(7) A lessor should not require a lessee to purchase any products apart from fuel oil, as defined in the Fuel Oil Licensing Act, exclusively from the lessor. The lessee should maintain a supply of the lessor's other branded products sufficient to meet the reasonable requirements of his customers. Lubricants or other products distributed by competitors of the lessor should not be displayed, promoted or advertised by the lessee.

(8) A lessor should not obligate a lessee to keep the premises open to service the public for more than the days and hours normally kept by other service stations in the trading area. However, the lessor may require the lessee to extend his hours of operation for a trial period of not more than six months. If the lessee fails to realize a reasonable profit during such extended hours, he may revert to his former hours at the ned of the trial period.

(9) The lessor may require of the lessee reasonable commitments and covenants relating to such subjects as:
- the standard of service to the public
- the standard of housekeeping
- maintenance and repair of the premises
- protecting lessor's trade marks and name
- quality and competence of staff
- accounting procedures
- restrictions upon lessee's assigning or subletting.

(10) The lessee may require of the lessor reasonable commitments and covenants relating to such subjects as:
- delivery of products
- advice and guidance in operating the station
- availability of a retail credit system
- identification of the premises by the lessor's trademark.

(11) The lessor may immediately terminate the lease in the following circumstances:

- bankruptcy or insolvency of the lessee
- rent unpaid for fifteen days
- abandonment of the premises
- service station is not operated during normal business hours for reasons within the lessee's control for three consecutive days
- motor fuels not purchased from the lessor are sold from the station
- motor fuels are sold other than in the grades purchased.

(12) In all other cases of default by either party, the other party must give written notice of such default requiring the party in default to remedy it within fifteen days. If the party in default fails to remedy the default within the fifteen day period, then the party not in default may terminate the lease upon a further seven days written notice.

(13) Any lessee should have the right to join and accept office in any trade association.

(14) Any lessee should have the right to make representations or submissions to the lessor, himself or through his authorized representative.

Alberta. Task Force on Consumer Affairs
Gasoline pricing and marketing in Alberta
CA2AL Z 3
73G16
c.2
Alberta
PROVINCIAL LIBRARY
Edmonton